APPENDIX A

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

CLARE MILNE, BY AND THROUGH
MICHAEL JOSEPH COYNE, HER RECEIVER,
Plaintiff-Appellant,

v.

STEPHEN SLESINGER, INC.,
Defendant-Appellee,

No. 04-57189

Argued and Submitted Sept. 13, 2005
Filed Dec. 8, 2005

[1037] Before: WALLACE, SILVERMAN, and CALLAHAN, Circuit Judges.

CALLAHAN, Circuit Judge:

This copyright action arises from a termination notice sent by the appellant to the appellee, seeking to recapture rights to various characters created by her grandfather, Alan Alexander Milne, who authored the "Winnie-the-Pooh" children's books. Milne originally granted various rights in those works to the appellee in 1930. Then, in 1983, due to a change in copyright law in 1976, Milne's heirs considered terminating the 1930 grant outright, but instead **[1038]** entered into a new agreement that revoked the original grant and re-issued rights in the works to the appellee. The appellant seeks to invalidate the 1983 agreement based on 1998 legislation. The 1998 legislation only authorizes the termination of copyright agreements executed before 1978. Because

the 1983 revocation and re-grant were valid, we affirm the district court's decision.

I

A. Historical & Regulatory Background

As part of the enumerated powers vested in the federal government, the Constitution provides Congress with the power "to promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. Const. art. I, § 8, cl. 8. Pursuant to this authority, Congress enacts copyright legislation.

The first enactment of concern in this case is the 1909 Copyright Act. Act of Mar. 4, 1909, ch. 320, § 23, 35 Stat. 1075 (1909). This enactment responded to authors' complaints that the existing protection term was inadequate because many authors were outliving the protection and thereby being denied the proper fruits of their labor. *See* Arguments on S. 6330 & H.R. 19853, Before the Comms. on Patents, 59th Cong., 1st Sess. 116-21 (1906) (statement by Samuel Clemens (a/k/a Mark Twain) asserting that the term of protection was not long enough). Congress addressed those complaints by extending the renewal period from 14 years to 28 years, making copyright protection possible for a total of 56 years. Act of Mar. 4, 1909, ch. 320, § 23, 35 Stat. 1075 (1909).

Almost seven decades later, Congress enacted the 1976 Copyright Act, which forms the foundation of current copyright law. The two-term structure of a fixed term followed by a renewal term was eliminated. *See* Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541 (1976) (codified at 17 U.S.C. §§ 101-808). In its place, Congress established a single term for all copyrights created after January 1, 1978; the maximum 56-year term under the 1909 Act was replaced with a term of the author's life plus 50 years. 17 U.S.C. § 302(a). Works published or registered before January 1, 1978 would be protected for a maximum of 75 years from the

date of publication or 100 years from the date of creation, whichever was less. 17 U.S.C. § 303.

On October 27, 1998, President Clinton signed into law the Sonny Bono Copyright Term Extension Act of 1998 ("CTEA"), Pub. L. No. 105-298, 112 Stat. 2827 (1998) (codified at 17 U.S.C. §§ 108, 203, 301-304). As its name suggests, the statute further expanded the term of copyright protection, extending the term of all existing and future copyrights by a period of 20 years. Specifically, Congress broadened the term of copyright protection prospectively to works created after its effective date from the life of the author plus 50 years to the life of the author plus 70 years.[1] 17 U.S.C. §§ 302(a), 304(a)-(b). The statute also enlarged the term of protection retroactively to previously granted copyrights, extending their term to a maximum of 95 years. *Id.*

[1039] One of the purposes of the CTEA was to harmonize our copyright term with that of the European Union because, without the change, U.S. authors would receive 20 fewer years of protection than their European counterparts. *See* 141 Cong. Rec. S3390-92 (daily ed. Mar. 2, 1995) (statement of Sen. Orrin Hatch); *see also* 141 Cong. Rec. E379 (daily ed. Feb. 16, 1995) (statement of Rep. Carlos Moorhead). This threatened to cost the United States vast amounts of revenue and its favorable position in the global intellectual-property market. *See id.* Another reason behind the extension was to provide greater protections for authors and two succeeding generations of their heirs. Sen. Orrin Hatch, *Toward a Principled Approach to Copyright Legislation at the Turn of the Millennium*, 59 U. Pitt. L. Rev. 719, 733-34 (1998). The end result is that works that otherwise would have entered the public domain, such as the

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[1] In the case of a work made for hire—which is "prepared by an employee within the scope of his or her employment or ... specially ordered or commissioned for use as a contribution to a collective work" (17 U.S.C. § 101)—Congress extended the term of protection from 75 to 95 years from the year of the work's first publication, or a term of 120 years from the year of its creation, whichever expires first. 17 U.S.C. § 304(a)-(b).

works at issue in this litigation, were protected for an additional 20 years. Thus, it appears that no copyrighted work will enter the public domain for the next 13 years or so, until January 1, 2019.

B. Factual Background

In the 1920s, Alan Alexander Milne ("the author") created in his classic children's books the characters of the boy Christopher Robin and his stuffed bear, Winnie-the-Pooh, as well as their friends Eeyore, Owl, Piglet, Rabbit, Kanga, Roo, and Tigger. Four of those works are involved in this action: (1) *When We Were Very Young*; (2) *Winnie-the-Pooh*; (3) *Now We Are Six*; and (4) *House at Pooh Corner* (collectively, "Pooh works"). U.S. copyrights in the Pooh works were registered between 1924 and 1928, and renewed between 1952 and 1956.[2]

Entranced by the then-newly published *House at Pooh Corner*, a New Yorker by the name of Stephen Slesinger boarded a boat for England with the hope of persuading the author to let him license the rights to the Pooh works for trade purposes back home. Slesinger was a television-film producer, creator of comic-book characters, and pioneer in the licensing of characters for children.

In 1930, the author entered into an agreement with Slesinger, granting Slesinger exclusive merchandising and other rights based on the Pooh works in the United States and Canada "for and during the respective periods of copyright and of any renewal thereof to be had under the Copyright Act[.]" In return, the author received a share of royalty income earned by Slesinger, ranging from three percent of wholesale sales to 67 percent of Slesinger's receipts, as well as an advanced payment against those royalties. After the agreement's execution, Slesinger created defendant-appellee Stephen Slesinger, Inc. ("SSI"), to which he transferred his rights in the Pooh works.

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[2] The 1909 Copyright Act was in effect when the Pooh works were copyrighted in the 1920s and upon their renewal in the 1950s.

In 1956, the author passed away and was survived by his widow and their son, Christopher Robin Milne. The author's will bequeathed all beneficial interests in the Pooh works to a trust for the benefit of his widow during her lifetime ("Milne Trust"), and, after her death, to other beneficiaries ("Pooh Properties Trust"), which included his son, Christopher, and Christopher's daughter, Clare. Clare is the author's sole grandchild and the plaintiff-appellant in this case.

[1040] In 1961, SSI granted exclusively to Walt Disney Productions ("Disney")[3] the rights it had acquired in the 1930 grant, and Disney agreed to pay certain royalties to SSI. Around the same time, Disney also entered into a similar agreement with the author's widow and the Milne Trust, granting Disney exclusive motion-picture rights, foreign-merchandising rights, and other exclusive rights in the Pooh works in exchange for royalties.

In 1971, the author's widow passed away and, in 1972, her beneficial interests under the Milne Trust were assigned to the Pooh Properties Trust in accordance with the author's will. This meant that the Pooh Properties Trust would receive the author's copyright interest in the Pooh works plus the royalties payable under the 1961 Milne-Disney agreement.

Then came the 1976 Copyright Act and, with it, an extended renewal term of copyright protection. Pub. L. No. 94-553, 90 Stat. 2541, § 304(a) (1976). Most relevant to the Pooh Properties Trust was the provision that gave the author or his heirs an opportunity to benefit from the extended renewal term. *Id.* Specifically, this new statute enabled an author or his heirs to terminate a grant of rights to a copyrighted work made by the author or his heirs to a third party prior to the statute's effective date of January 1, 1978. 17 U.S.C. § 304(c).

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[3] While Disney joined this case as a co-plaintiff in the proceedings below, Disney is not a party to this appeal.

In 1983, faced with the possibility that Christopher might seek to terminate the rights Disney had received in 1961 from SSI, Disney proposed that the parties renegotiate the rights to the Pooh works. Christopher accepted Disney's proposal and, using the bargaining power conferred by his termination right, negotiated and signed on April 1, 1983 a more lucrative deal with SSI and Disney that would benefit the Pooh Properties Trust and its beneficiaries.

The new agreement acknowledged the 1930 grant and the 1961 assignment of rights to Disney, and observed that although ownership of the copyrights had been transferred to the Pooh Properties Trust, there were "disputes [which] had existed[.]" Recognizing that the author's heir, Christopher, may well have a right of termination under the 1976 Copyright Act, the agreement declared that the parties were resolved to "clarify certain aspects of their contractual arrangements and to settle revised agreements." Christopher therefore agreed not to seek termination of the existing arrangements in return for executing the new agreement. The agreement then provided for the revocation of the 1930 and 1961 agreements in favor of the new agreement, followed by the regranting (on the same page) of the rights in the Pooh works to SSI.[4] In exchange for royalties, SSI turned around and granted Disney the radio, television, motion-picture, and merchandising rights to those works.

One result of the 1983 agreement was an increase of the amounts that the Pooh Properties Trust received over the sums that had been payable under the 1961 Milne-Disney agreement. The Pooh Properties Trust now received double SSI's share of the royalties, compared to about half of SSI's share before the 1983 agreement. Thus, the renegotiations between the parties resulted, by some estimates, in a net gain of hundreds of millions **[1041]** of dollars to the Pooh

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[4] The 1983 agreement specifically stated: "The Trustees hereby assign, grant, and set over unto [SSI] all of the rights in and to [the Pooh works] which were transferred to [Slesinger by virtue of the 1930 grant.]"

Properties Trust, which included Clare as a prime beneficiary.

On November 4, 2002, motivated by the recent enactment of the CTEA and its favorable treatment of authors' heirs, Clare set out to recapture the rights to the Pooh works. Toward that end, she served SSI with a notice of termination, which referenced November 5, 2004 as the effective date for termination of the 1930 grant of rights to SSI. The same day that she served the termination notice, Clare entered into an agreement with Disney, assigning the rights expected to revert to her in 2004.[5]

C. Procedural Background

On November 5, 2002, the day after she served the termination notice, Clare joined by Disney, commenced this action in the district court, seeking a declaration that her termination notice was valid and effectively terminated SSI's rights in the Pooh works. Thereafter, SSI filed a motion for judgment on the pleadings or, alternatively, for summary judgment. SSI asserted, inter alia, that Clare's termination notice was invalid because the 1930 grant of rights targeted by the termination notice had already been revoked under the 1983 agreement, and therefore was no longer in existence and not subject to statutory termination under the CTEA. In turn, Clare filed a cross-motion for summary judgment, seeking a declaration that the termination notice was valid and that SSI's rights in the Pooh works would terminate on November 5, 2004.

On May 8, 2003, the district court issued an order granting in part and denying in part SSI's motion, and denying Clare's cross-motion. In essence, the district court declared the termination notice to be invalid by ruling in SSI's favor regarding Clare's declaratory-relief claim.[6]

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[5] Under Clare's reversion agreement with Disney, Disney agreed to fund the instant litigation for her.

[6] Other issues were left pending in the district court. For example, the court had yet to rule on the validity of a copyright termination notice

Clare subsequently moved the district court to enter a final judgment under Federal Rule of Civil Procedure 54(b) because all claims related to her had been resolved. The district court eventually granted Clare's motion, and entered judgment as to Clare on December 6, 2004. She filed a timely appeal from that judgment. *See* Fed. R. App. P. 4(a).

D. The District Court's May 8, 2003 Order

When considering the parties' motions, the district court asked the question that lies at the very heart of the parties' dispute: "Should the 1983 SSI Agreement be treated as a pre-1978 agreement to be governed by the [CTEA's] termination provisions of 17 U.S.C. § 304?" Answering the question in the negative, the district court held that the parties' 1983 agreement itself revoked the grant of rights under the 1930 agreement that Clare's notice sought to terminate, and that the grant made to SSI under the 1983 agreement was not subject to termination under the CTEA. In reaching its ruling, the district court rejected Clare's argument that the 1983 agreement was merely an extension of the 1930 grant. The court further reasoned that the CTEA's termination provisions apply only to grants made prior to 1978. The court also opined **[1042]** that the Copyright Acts did not alter the power of private parties to contract and that the 1983 agreement "was created in order to protect SSI and Disney from a termination of the rights granted to them."

In addition, the district court was not persuaded by Clare's argument that "a grantee may not subvert the statutory rule against obtaining a new grant prior to termination of the original grant ... unless there is at least a moment [of freedom] when the grantor is bound under neither the prior nor the new grant." The court noted that although

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served by the granddaughter of the Pooh works' illustrator. Also before the court was SSI's declaratory-relief counterclaim, asserting that Disney was obligated to pay royalties to SSI. Those further proceedings are not at issue in this appeal.

"§ 304(c)(5) [and] § 203(a)(5) ... provide that termination of a grant may be effected 'notwithstanding any agreement to the contrary,' ... [s]ection 304 does not apply[ ] because this is a post-1978 agreement, and § 203 does not apply[ ] because the grant in question was not made by the author" (quoting 17 U.S.C. §§ 203(a)(5), 304(c)(5)). Thus, the court concluded that the 1983 agreement was a new contract, effective after January 1, 1978, and that Clare's termination notice was invalid.

II

This court reviews de novo an award of judgment on the pleadings. *Turner v. Cook*, 362 F.3d 1219, 1225 (9th Cir. 2004); *Underwood Cotton Co., Inc. v. Hyundai Merch. Marine, Inc.*, 288 F.3d 405, 407 (9th Cir. 2002). "'A judgment on the pleadings is properly granted when, taking all the allegations in the pleadings as true, the moving party is entitled to judgment as a matter of law.'" *Owens v. Kaiser Found. Health Plan, Inc.*, 244 F.3d 708, 713 (9th Cir. 2001) (quoting *Nelson v. City of Irvine*, 143 F.3d 1196, 1200 (9th Cir. 1998)).

A. Right of Termination Under the CTEA

Clare argues that she properly terminated SSI's rights in the Pooh works. We hold that the district court's contrary conclusion is correct.

In a copyright case, as in most cases, the language of the statute provides the starting point for our analysis. *Cmty. for Creative Non-Violence v. Reid*, 490 U.S. 730, 739, 109 S.Ct. 2166, 104 L.Ed.2d 811 (1989); *Mills Music, Inc. v. Snyder*, 469 U.S. 153, 164, 105 S.Ct. 638, 83 L.Ed.2d 556 (1985). The CTEA provides in relevant part:

> In the case of any copyright other than a work made for hire, subsisting in its renewal term on the effective date of the Sonny Bono Copyright Term Extension Act [effective October 27, 1998] for which the termination right provided in subsection (c) [of this section] has expired by such date, where the author or owner of the termination right has not previously exercised such termination right, the ex-

> clusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it, *executed before January 1, 1978*, by any of the persons designated in subsection (a)(1)(C) of this section, other than by will, is subject to termination....

17 U.S.C. § 304(d) (emphasis added).

Although Clare's termination notice purports to terminate the 1930 grant under the CTEA (section 304(d)), that statute provides a termination right to only those transfers or licences "executed *before* January 1, 1978[.]" *Id.* (emphasis added). The only pre-1978 grant of rights to SSI, and the only grant to SSI specified in the termination notice, was the 1930 grant made by the author to Slesinger. The 1930 grant, however, was terminated by the beneficiaries of the Pooh Properties Trust upon the execution of the 1983 agreement. Accordingly, there was no pre-1978 grant of rights to SSI in **[1043]** existence when Congress enacted the CTEA in 1998.

The sole grant of rights to SSI, either at the time of the CTEA's enactment or when Clare served her termination notice, was the grant of rights embodied in the 1983 agreement. As the district court correctly explained, however, this grant is not subject to termination under section 304(d) because it was not "executed before January 1, 1978," as the statute expressly requires. 17 U.S.C. § 304(d).

1. "Agreement to the Contrary"

Faced with the reality that she is dealing with a post-1978 agreement, Clare attempts to circumvent the 1983 agreement by claiming that another provision of the CTEA, 17 U.S.C. § 304(c)(5), requires this court to regard the 1983 agreement as an "agreement to the contrary" that does not prevent her from terminating SSI's rights to the Pooh works. Section 304(c)(5) states that a "[t]ermination . . . may be effected notwithstanding any agreement to the contrary, including any agreement to make a will or to make any future grant." 17 U.S.C. § 304(c)(5).

The statute does not define the phrase "agreement to the contrary," although it does provide two examples of agreements that would constitute an "agreement to the contrary": "an agreement to make a will" and an agreement "to make any future grant." *Id.* The undisputed fact that the 1983 agreement does not fall into either category supports the district court's finding that the 1983 agreement is not "an agreement to the contrary." *See Sutton v. Providence St. Joseph Med. Ctr.*, 192 F.3d 826, 834 (9th Cir. 1999) ("When a statute contains ... specific items and a general item, we usually deem the general item to be of the same category or class as the more specifically enumerated items.").

To support her theory that the 1983 agreement falls under the category of "an agreement to the contrary," Clare reads the Supreme Court's decision in *Stewart v. Abend*, 495 U.S. 207, 110 S.Ct. 1750, 109 L.Ed.2d 184 (1990), as holding that Congress intended to make the termination right inalienable for authors and their families. *Stewart*, however, did not interpret the "agreement to the contrary" language of section 304(c)(5) or its counterpart under section 203(a)(5).[7] In fact, the only discussion in *Stewart* pertaining to inalienability is the Court's relatively brief portrayal of the evolution of copyright law, beginning with the Copyright Act of 1790 and ending with the 1976 Copyright Act. *See* 495 U.S. at 230, 110 S.Ct. 1750 (noting only that "[t]he 1976 Copyright Act provides a single, fixed term, but provides an inalienable termination right") (citing 17 U.S.C. § 203). Accordingly, *Stewart* does not support the broad "plain meaning" that Clare attributes to section 304(c)(5).

Clare also relies on the Second Circuit's decision in *Marvel Characters, Inc. v. Simon*, 310 F.3d 280 (2d Cir. 2002), to support her claim that the 1983 agreement is an

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[7] Apart from other differences, the counterpart provision found under section 203 covers transfers effected on or after January 1, 1978, whereas section 304(c) covers transfers before that date. 17 U.S.C. §§ 203(a), 304(c).

"agreement to the contrary" under section 304(c)(5). The contract at issue there was a settlement agreement between the parties, which ended a series of lawsuits filed in the 1960s by the creator of a copyrighted work. *Id.* at 283-84. The creator argued that the settlement agreement should not be given effect because it contractually changed the nature of the copyrighted work, labeling it as a "work made for hire" many years after its creation. *Id* at 284-85. The effects of this **[1044]** after-the-fact label were to make the creator an "employee for hire" rather than the author of the copyrighted work, and to foreclose his right to terminate the grant he had made in the copyrighted work. *Id.* at 283-84. Thus, unlike the issue presented in the case at bar, the issue facing the Second Circuit was "whether § 304(c)(5)'s phrase 'any agreement to the contrary' includes a settlement agreement stating that a work was created for hire[.]" *Id.* at 290 (quoting 17 U.S.C. § 304(c)(5)).

After examining the legislative history and considering the purpose of section 304(c), the court concluded "that an agreement made subsequent to a work's creation which retroactively deems it a work for hire constitutes an agreement to the contrary under § 304(c)(5) of the 1976 Act." *Id.* at 292 (internal quotation marks omitted). The Second Circuit held that an employer cannot contractually transform a creator or author of a copyrighted work into an "employee for hire." *Id.* The court expressed concern that if it held otherwise, works not satisfying the relationship-based "for hire" test could be coerced by post-facto agreements that designate such works to be something they are not: "works for hire." *Id.* at 291-92.

The facts, reasoning, and holding of *Marvel* have little relevance to this case because, here, there is no after-the-fact attempt to recharacterize the work or a prior agreement. Instead, the 1983 agreement involves contractual provisions that operated prospectively through the revocation of an existing grant and the making of a new one. As the district court recognized, "[t]he parties in the 1983 [a]greement did not attempt to change or modify the nature

of their association with one another, or alter the character of their long-standing author/grantee relationship."

Reinforcing this reasoning are the undisputed facts that the 1930 grant was expressly revoked by the Pooh Properties Trust, which made a new grant of rights to SSI that, *inter alia*, was more lucrative for the author's heirs. The fact that the 1983 agreement was meant to protect the continuing viability of the author's grant of rights to SSI is evident from the agreement itself. In that vein, it is important to note that the parties describe their 1983 agreement as a "new agreement *for the future* which the parties believe would not be subject to any right of termination under 17 U.S.C. Secs. 203 or 304(c)" (emphasis added).

Neither *Marvel* nor any other of Clare's cited authority supplies a basis for us to question the district court's decision or to undo the 1983 agreement, which was freely and intelligently entered into by the parties.[8] The beneficiaries of the Pooh **[1045]** Properties Trust were able to obtain considerably more money as a result of the bargaining power

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[8] Also not well taken is Clare's citation of *Rano v. Sipa Press, Inc.*, 987 F.2d 580 (9th Cir. 1993), to support her perspective that section 304(c) preempts any right Christopher had in contracting for the termination of the 1930 grant. Based on *Rano*, she argues that the 1983 agreement did not produce an effective termination because the Pooh Properties Trust did not utilize the statutory termination procedure in place under section 304(c) of the 1976 Copyright Act. This overlooks the fact that *Rano* did not address the effectiveness of a party's purported exercise of a statutory termination right under section 304(c). The *Rano* court only held that the existence of such a statutory termination mechanism in section 203(a)(5) preempts a California common-law rule permitting the unilateral termination at will of an agreement that has a non-specified duration. 987 F.2d at 585-86. Whatever views one may have regarding the correctness of the narrow holding of *Rano*, it cannot be said that *Rano* suggests a ruling that would nullify a mutual decision to revoke a grant of rights. *See Scholastic Entm't, Inc. v. Fox Entm't Group, Inc.*, 336 F.3d 982, 988 n. 2 (9th Cir. 2003) (observing that "*Rano* has been called into serious question by courts as well as commentators"). Moreover, *Rano*'s narrow facts have no application here, where the 1930 grant expressly provided for its duration. *See Rano*, 987 F.2d at 583, 585 (emphasizing the fact that the subject agreement was one without a specified duration).

wielded by the author's son, Christopher, who was believed to own a statutory right to terminate the 1930 grant under section 304(c) of the 1976 Copyright Act. Although Christopher presumably could have served a termination notice, he elected instead to use his leverage to obtain a better deal for the Pooh Properties Trust. His daughter, Clare, was a beneficiary of this new arrangement, and her current dissatisfaction provides no reason to discredit the validity of the 1983 agreement and the rights conferred thereby.

2. Legislative History of Section 304(c)

The district court stated there was nothing wrong with the fact that "the 1983 [a]greement was created in order to protect SSI and Disney from a termination of the rights granted to them." Relying on legislative history, the district court read the House Report for the 1976 Copyright Act as confirming the rule that "[n]othing in the Copyright Acts has altered the power of private parties to contract." H.R. Rep. No. 94-1476, 94th Cong., 2d Sess. (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5743.

Clare criticizes the district court's approach to statutory construction, arguing that section 304(c)'s meaning is clear on its face and that there was no need for the district court to consider legislative history. She maintains that the district court used legislative history to override the statute itself.

We disagree. Section 304(c)(5) states that "[t]ermination ... may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant." 17 U.S.C. § 304(c)(5). As we have noted, the phrase "agreement to the contrary" is unclear. Even Clare agrees that the phrase is not defined by the statute, and the Second Circuit has expressly found the phrase ambiguous and that an analysis of legislative history is required to glean its meaning. *Marvel*, 310 F.3d at 290; *accord Walthal v. Rusk*, 172 F.3d 481, 484 (7th Cir. 1999) (reviewing legislative history upon concluding that section 304(c)(5)'s counterpart termination provision under section

203 "is not perfectly clear"). This court has recognized that when a statute's terminology is not clear on its face, it is appropriate to seek guidance in the legislative history. *In re BCE West, L.P.*, 319 F.3d 1166, 1171 (9th Cir. 2003); *see also United States v. Buckland*, 289 F.3d 558, 565 (9th Cir. 2002) ("Where the language is not dispositive, we look to the congressional intent revealed in the history and purposes of the statutory scheme." (internal quotation marks omitted)).

As Clare concedes, a review of the legislative history turns up nothing to support her contention that she may terminate SSI's rights in the Pooh works on the theory that the 1983 agreement is an "agreement to the contrary." On the contrary, Congress specifically stated that it did not intend for the statute to "prevent the parties to a transfer or license from voluntarily agreeing at any time to terminate an existing grant and negotiating a new one[.]" H.R. Rep. No. 94-1476 at 127, 1976 U.S.C.C.A.N. at 5743.[9] Congress **[1046]** further stated that "nothing in this section or legislation is intended to change the existing state of the law of contracts concerning the circumstances in which an author may terminate a license, transfer or assignment. " H.R. Rep. No. 94-1476 at 142, 1976 U.S.C.C.A.N. at 5758. Congress therefore anticipated that parties may contract, as an alternative to statutory termination, to revoke a prior grant by replacing it with a new one. Indeed, Congress explicitly endorsed the continued right of "parties to a transfer or li-

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[9] To the extent that the legislative record references section 304(c)(5)'s counterpart provision under section 203(a)(5), we find that history instructive given Congress's use of identical language in both provisions. *See Gustafson v. Alloyd Co.*, 513 U.S. 561, 570, 115 S.Ct. 1061, 131 L.Ed.2d 1 (1995) (recognizing that "'identical words used in different parts of the same act are intended to have the same meaning'" under the "'normal rule of statutory construction'" (quoting *Dep't of Revenue of Or. v. ACF Indus., Inc.*, 510 U.S. 332, 342, 114 S.Ct. 843, 127 L.Ed.2d 165 (1994))); *see also Batjac Prods., Inc. v. Good-Times Home Video Corp.*, 160 F.3d 1223, 1228 (9th Cir. 1998) (supporting the "'basic canon of statutory construction that identical terms within an Act bear the same meaning'" (quoting *Estate of Cowart v. Nicklos Drilling Co.*, 505 U.S. 469, 479, 112 S.Ct. 2589, 120 L.Ed.2d 379 (1992))).

cense" to "voluntarily agree[ ] at any time to terminate an existing grant and negotiat[e] a new one." H.R. Rep. No. 94-1476 at 127, 1976 U.S.C.C.A.N. at 5743.

The rationale behind the legislation was to "safeguard[] authors against unremunerative transfers" and improve the "bargaining position of authors" by giving them a second chance to negotiate more advantageous grants in their works after the works had been sufficiently "exploited" to determine their "value." H.R. Rep. No. 94-1476 at 124, 1976 U.S.C.C.A.N. at 5740. Congress sought to foster this purpose by permitting an author's heirs to use the increased bargaining power conferred by the imminent threat of statutory termination to enter into new, more advantageous grants. This is exactly what Christopher and the other beneficiaries of the Pooh Properties Trust did in 1983.

After more than 50 years of advancement of the Pooh works in the marketplace, their value was sufficiently demonstrated, and the 1976 Copyright Act provided Christopher a window for termination. The Pooh Properties Trust recognized the perceived right to terminate as a valuable bargaining chip, and used it to obtain an advantageous agreement that doubled its royalty share relative to SSI's share. Thus, the 1983 agreement exemplifies the increased bargaining power that Congress intended to bestow on authors and their heirs by creating the termination right under the 1976 Copyright Act. As the 1983 agreement appears to be the type expressly contemplated and endorsed by Congress, we do not consider it to be a prohibited "agreement to the contrary" under section 304(c)(5).

In addition, Clare attempts to conjure up a proverbial "parade of horrors" that she believes would result were we to uphold the parties' exercise of free will to enter into the 1983 contract. She argues that judicial recognition of the 1983 agreement "'would provide a blueprint by which publishers could effectively eliminate an author's termination right'" (quoting *Marvel*, 310 F.3d at 291). The strength of a proposed parade of horrors, however, lies "in direct proportion to (1) the certitude that the provision in question was

meant to exclude the very evil represented by the imagined parade, and (2) the probability that the parade will in fact materialize." *Harmelin v. Michigan*, 501U.S. 957, 986 n. 11, 111 S.Ct. 2680, 115 L.Ed.2d 836 (1991) (Scalia, J., concurring). The application of these factors here shows that Clare's imagined parade will never march forward. Clare presents no authority suggesting that Congress **[1047]** designed the statutory termination provisions to prevent parties from agreeing to a simultaneous revocation and new grant of rights. Certainly with regard to the instant case, Clare's concerns are unfounded. The 1983 agreement came about some seven years after the copyright owner felt empowered to exercise his right of termination under the 1976 Copyright Act, and after he was able to assess the works' value over the course of more than five decades. Far from resulting in a termination of the grantee's rights, the 1983 agreement resulted in an increased royalty stream to the author's heirs—the very result envisioned by Congress when it enacted the termination provisions.

B. "Moment of Freedom"

Clare also advances the theory that the 1983 agreement did not serve to revoke the 1930 grant to Slesinger because no "moment of freedom" was built in between the agreement's simultaneous revocation and re-granting of rights in the Pooh works. She claims that section 304(c)(6)(D) requires such a "moment of freedom" before a re-grant of rights may take place, and that without such a moment of freedom, the 1983 agreement is nothing more than an amendment to the original 1930 agreement, one that is terminable under the CTEA.

Section 304(c)(6)(D) reads as follows:

> A further grant, or agreement to make a further grant, of any right covered by a terminated grant is valid *only if it is made after the effective date of the termination*. As an exception, however, an agreement for such a further grant may be made between the author ... and the original grantee or such

> grantee's successor in title, after the notice of termination has been served....

17 U.S.C. § 304(c)(6)(D) (emphasis added). This provision sets forth the proper timing mechanism for grants and agreements to make grants where the statutory termination under section 304(c)(5) has been exercised. *Id.* But Clare does not contend and cannot contend that in 1983 anyone exercised a statutory right of termination with respect to the Pooh works.

Clare's sole support for her position is found in a treatise authored by the late-Professor Melville Nimmer. In his treatise, Professor Nimmer expressed his *assumption* that this subsection—which on its face applies only to the statutory termination of a prior copyright grant—is intended to benefit authors and should therefore be extended to prohibit a simultaneous contractual termination and re-grant of copyright rights. *See* 3 M. Nimmer, Nimmer on Copyright § 11.07 (6th ed.1978). Clare's counsel, however, conceded at oral argument that no source of primary authority has endorsed this assumption. We too decline to do so.

Congress included the general rule in section 304(c)(6)(D)—prohibiting a new grant of rights terminated by statute until after the effective date of termination—to avoid trafficking in future interests by third parties, which would deprive the original grantee of the opportunity to negotiate a further transfer. H.R. Rep. No. 94-1476 at 127, 1976 U.S.C.C.A.N. at 5743. The exception to this rule provides that once a notice of termination is served, the original grantee or his successor-in-title, here SSI, is the only party to whom the author (or author's heir) may promise a future grant, and is therefore similarly intended to give the original grantee a competitive advantage over third parties (like co-plaintiff Disney) who wish to obtain the rights covered by the terminated grant. *See id.* (stating that the exception is "in the nature of a right of 'first refusal'" in the original grantee's favor). Thus, contrary to Clare's view, section **[1048]** 304(c)(6)(D) was not intended to protect the author or

his heirs, but was instead intended to protect licensees, such as SSI.

We note that the district court reasonably posited that if Congress intended to require a "moment of freedom," it would have clearly said so. After all, such an implied condition is difficult to harmonize with the statute's purpose of benefitting the original grantee or with other provisions of Title 17. For example, three other statutory provisions require advance notice of termination to be served at least two years before the effective date of the termination. 17 U.S.C. §§ 203(a)(4)(A), 304(c)(4)(A), 304(d)(1).[10] During the two-year period between service of the notice and the termination's effective date, the original grant remains in effect so that the holder of the termination right is no freer to walk away from the to-be-terminated grant than he was before he served the notice. Thus, contrary to the argument advanced by Clare and the Nimmer treatise, section 304(c)(6)(D) does not require a "moment of freedom" between termination of a grant and the creation of a new grant in its place because it allows the author or his heirs to enter into a binding agreement with the original grantee after service of the termination notice but before its effective date.

Even assuming that Congress intended such a "moment of freedom" between a contractual revocation and re-grant of rights, we note that Christopher's ability to exercise his perceived termination right gave him all the freedom he needed to refrain from entering into a new grant of copyright rights to SSI. He parlayed that right into a new agreement giving increased compensation to the Pooh Properties Trust, of which Clare is a prime beneficiary. In doing so, he fulfilled the very purposes for which Congress enacted the termination right. Thus, it defeats common sense to suggest that he needed to take a walk around the block be-

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[10] These provisions themselves intend to benefit the original grantee, as they ensure that the original grantee will have adequate notice of the impending loss of rights.

tween the time he revoked the old agreement and entered into the new one.

Moreover, still assuming a preference for a moment of freedom, there is nothing to suggest that the parties would have come to any other decision than the one they reached. There is absolutely nothing in the record that would show that the beneficiaries of the Pooh Properties Trust were prejudiced in any way by the 1983 agreement. At bottom, Clare contends that the 1983 agreement did not give her as much money as she would like to receive. Such a position, however, does not amount to a viable termination right under the CTEA.

III

For the foregoing reasons, the district court correctly declared Clare's termination notice ineffective. The CTEA's termination provision does not apply to post-1978 agreements such as the parties' 1983 agreement, which continues to control the parties' rights and royalty shares in the Pooh works. In addition, Clare is unable to show that the 1983 agreement constitutes an "agreement to the contrary" under section 304(c)(5), and thus the courts cannot disregard the 1983 agreement. Nor are we persuaded by Clare's "moment of freedom" argument. Quite simply, there is no principle of logic, canon of statutory construction, or consideration of fairness that supports Clare's reading of the CTEA. Accordingly, the decision of the district court is AFFIRMED.

APPENDIX B

ORDER GRANTING IN PART AND DENYING IN PART DEFENDANT'S MOTION FOR JUDGMENT ON THE PLEADINGS

ORDER DENYING PLAINTIFF MILNE'S MOTION FOR SUMMARY JUDGMENT

ORDER DISMISSING DEFENDANT'S COUNTERCLAIMS AS MOOT

ORDER DENYING PLAINTIFF DISNEY'S MOTION TO DISMISS COUNTERCLAIMS AS MOOT

This matter is before the Court on a number of motions: Defendant's Motion for Judgment on the Pleadings or alternatively, for Summary Judgment (docket #11); Plaintiff Disney's Motion to Dismiss Counterclaims or alternatively, for a More Definite Statement (docket #37); and Plaintiff Milne's Motion for Summary Judgment (#55). Oral argument was heard on May 5, 2003, at which time the parties were in possession of the Court's tentative decision. Following argument, the matter was taken under submission. The Court now grants defendant's Motion for Judgment on the Pleadings as it relates to the termination notice served by Clare Milne.

I. INTRODUCTION

This case involves a dispute over the rights to certain works by author A.A. Milne ("the author"), who, in his 1920s classic children's books, created characters that have, in the seventy-odd years since their creation, become cultural icons.[1] Specifically, at issue in this action are rights to *When*

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[1] The characters are so recognizable they barely need introduction. Nevertheless, they include the boy Christopher Robin, and his stuffed bear, Winnie-the-Pooh, as well as their friends Piglet, Tigger, Eeyore, Owl, Rabbit, Kanga and Roo. An April 3, 2003, search of "Winnie-the-Pooh" on <<amazon.com>> yielded the following results: 483 items in the "books" category, 5 baby items, 3 DVDs, 38 toys and games, 50 videos,

We Were Very Young (copyrighted 11/12/1924), *Winnie-the-Pooh* (copyrighted 10/21/1926), *Now We Are Six* (copyrighted 10/14/1927), and *The House at Pooh Corner* (copyrighted 10/15/1928) (collectively referred to as "the works").

In resolving this issue, the Court must consider the evolution of federal copyright law, which has changed over the last century with the passage of copyright acts in 1909, 1976, and 1998. The Court must also consider the various agreements entered into by the parties to this action and others, including the author himself, his son Christopher Robin Milne, his granddaughter Plaintiff Clare Milne, Stephen Slesinger, Defendant Stephen Slesinger, Inc. ("SSI"), and Plaintiff Disney Enterprises (and its predecessor, Walt Disney Productions) (generically referred to as "Disney").

The claims and counterclaims seek only declaratory relief. Plaintiffs seek a declaration that a copyright termination notice served by Clare Milne ("Milne") is valid, and that rights to the works will revert to Milne on November 5, 2004. Specifically, Plaintiffs seek a declaration that Milne possesses 100% of the termination interests in the works, that no person has previously exercised the termination rights, that the termination date falls within a five-year period beginning at end of 75 years from the date on which the copyright was originally secured, and that therefore the termination notices are valid. Plaintiffs seek a similar declaration with respect to a termination notice served by Harriet Jessie Minette Hunt, granddaughter of Ernest H. Shepard,[2] who illustrated or "decorated" the works at issue in this action. Plaintiffs also seek a declaration that upon the termination effective date, they are no longer required to pay royalties to SSI under a 1983 agreement among the parties.

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and a number of items in the categories of music, computer and video games, magazines, electronics, and apparel.

[2] Throughout this Order, the Court refers to Shepard as "the illustrator."

SSI has filed two counterclaims. In its first claim, SSI seeks a declaration that an agreement between Disney and Milne regarding Milne's future reversionary rights is void *ab initio* under federal copyright law. In its second counterclaim, SSI seeks a declaration that it is still entitled to royalties under the 1983 agreement even if the rights revert to Milne.

Ultimately, the Court determines that SSI is entitled to judgment as a matter of law as to both claims, and that SSI's counterclaims are moot.

II. FACTUAL BACKGROUND

A. The Parties' Agreements

1. The 1930 Grant

In January 1930, the author Milne entered into an agreement with Stephen Slesinger regarding certain uses of the works. (*See* 02/10/03 Harr Decl., Exh. A). In exchange for royalties (and an advance of $1000 against future royalties), Slesinger was granted certain rights[3] "for and during the respective periods of copyright and of any renewal thereof to be had under the Copyright Act ..." (The "1930 Grant"). Slesinger incorporated Stephen Slesinger, Inc. ("SSI") in March 1930, and appears to have transferred the rights to SSI as contemplated by the 1930 grant.[4]

2. The 1961 Agreements

In 1961, SSI entered into an agreement with Walt Disney Productions regarding rights to the works ("1961 SSI

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[3] The 1930 Grant relates to merchandising rights. The Grant was later amended, as evidenced by a 1932 letter from SSI to the author. (*See* 02/10/2003 Harr Decl., Exh. B). SSI was granted other rights, including radio and television rights. These radio and television rights, as well as motion picture rights, were returned to the author's estate for a short period of time in 1957. (*See* 02/10/2003 Harr Decl., Exh. C).

[4] Plaintiffs point out that there is no evidence the rights were transferred to SSI. However, the later agreements regarding rights to the works were all executed on behalf of SSI; therefore, it is reasonable to assume such a transfer took place.

Agreement"). (*See* 02/10/2003 Harr Decl., Exh. D). SSI assigned Disney the rights, and Disney agreed to pay royalties to SSI.

Around the same time Disney also entered into a similar agreement with the author's widow and a trust that held rights to the works ("1961 Milne Trust Agreement"). Under this agreement, Disney was granted motion picture rights, foreign merchandising rights, and other exclusive rights in exchange for royalties.

3. The 1983 Agreements

In 1983, the parties entered into another agreement regarding the rights to the works ("the 1983 SSI Agreement"). (*See* Harr Decl., Exh. E). Although Disney characterizes this agreement as one that merely adjusted the royalties to be paid to the parties, an examination of this agreement reveals it goes far beyond the narrow scope advanced by Disney.

The 1983 SSI Agreement first acknowledged the 1930 Grant, as amended, and the 1961 assignment of rights to Disney. Next, the 1983 SSI Agreement acknowledged that ownership of the copyrights and the benefits of the 1930 Grant had been transferred to the Pooh Properties Trustees.[5] The 1983 SSI Agreement then recognized that there were "disputes which [had] existed between them" and declared that they were resolved to "clarify certain aspect [sic] of their contractual arrangements and to settle revised agreements." The Agreement recognized that, as the author's heir, Christopher Robin Milne could have a right of termination under § 304(c) of the 1976 Copyright Act (17 U.S.C. § 304(c)). By executing the Agreement, however, Christopher Robin Milne agreed not to exercise that right. The parties then indicated their desire to revoke the 1930

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[5] In this document, Christopher Robin Milne, the author's only son, is not listed as a Pooh Property Trustee.

Grant and the 1961 Agreements in favor of a new Agreement that would benefit all parties.

The Agreement then revoked the 1930 Grant: "The agreement dated 6 January 1930 between A.A. Milne and [SSI]'s predecessor, and any amendments thereto ... are hereby revoked." The 1961 agreements were also revoked. However, its rights were then, on the same page, re-granted to SSI: "The Trustees hereby assign, grant, and set over unto [SSI] all of the rights in and to [the works] which were transferred to [him by virtue of the 1930 Grant, as amended.]" SSI, in exchange for royalties, granted to Disney radio, television, motion picture, and merchandising rights to the works.

B. The Termination Notices

On November 4, 2002, Clare Milne served on SSI a notice of termination regarding the works. The termination refers to the 1930 Grant (as amended and "reconfirmed"), and the 1961 Agreements.

On that same date, Harriet Jessie Minette Hunt, illustrator Shepard's granddaughter, served on SSI a notice of termination regarding the works as well. Hunt's termination notice stated the intent to terminate all grants from Ernest H. Shepard to A.A. Milne on, prior to or subsequent to January 6, 1930 with respect only to rights granted to Stephen Slesinger (or Stephen Slesinger, Inc.) the grant from A.A. Milne to Stephen Slesinger on January 6, 1930 as amended, and all prior and subsequent grants from Ernest H. Shepard (or any successor), extending, re-defining, confirming or re-granting the foregoing rights.

The effective date in the notice of termination is November 5, 2004. In or around November 2002, in a document that has not been filed with the Court (but has been described in the parties' papers), Disney entered into agreements with Milne and Hunt assigning to Disney the rights that will revert to them in 2004 ("the Reversion Agreement").

III. Standard for Dismissal Pursuant to Fed. R. Civ. P. 12(c)

Rule 12(c) of the Federal Rules of Civil Procedure permits a party to move to dismiss "[a]fter the pleadings are closed but within such time as not to delay the trial." Judgment on the pleadings may be granted only when "it appears beyond doubt that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief." *Enron Oil Trading & Transp. Co. v. Walbrook Ins. Co., Ltd.*, 132 F.3d 526, 529 (9th Cir.1997) (internal quotations and citations omitted). In deciding a motion for judgment on the pleadings pursuant to Rule 12(c), the Court may consider pleadings, documents attached as exhibits or incorporated by reference in the pleadings, and matters of which the Court may take judicial notice; the Court may also consider documents not explicitly incorporated in or attached to the complaint if the complaint necessarily relies on these documents and their authenticity is not questioned. *See Parrino v. FHP, Inc.*, 146 F.3d 600, 709 (9th Cir.1998), *cert. denied*, 525 U.S. 1001 (1998).

IV. The Changing Copyright Laws and the Works

When the works were copyrighted, the 1909 Copyright Act was in effect. The 1909 Act granted an author a period of twenty-eight years of copyright protection, plus an additional twenty-eight years of protection if the copyright was renewed. 17 U.S.C. § 24 (1909 Act) (repealed). The parties agree that the copyrights to the works were properly renewed. The copyrights in the works were therefore in subsistence on January 1, 1978, the effective date of the 1976 Copyright Act.

The 1976 Copyright Act granted an additional 19 years of protection to works that were in their renewal period at the effective date of the Act. 17 U.S.C. § 304(a). This act extended the copyright protection period in the works to the early 2000s. The 1976 Act also created certain residual rights for authors and their heirs as to rights to works that had previously been granted to third parties. 17 U.S.C. § 304(c). Authors or their heirs would be permitted to ter-

minate others' rights in works within a five-year period beginning fifty-six years after the creation of the work. 17 U.S.C. § 304(c)(3). It appears that in this case, the termination rights under the 1976 Act were not ever exercised.[6]

In 1998, Congress passed the Sonny Bono Copyright Termination Extension Act ("CTEA"), effective October 27, 1998. The CTEA granted additional residual rights to authors and heirs of protected works whose termination rights under the 1976 Act had expired without being exercised. 17 U.S.C. § 304(d). But these additional rights were conferred only with respect to grants that were made before the effective date of the 1976 Act, January 1, 1978.[7] Termination under CTEA may be effected by an author or his heirs within the five-year time period beginning seventy-five years after the creation of the work. 17 U.S.C. § 304(d)(2). Termination notices must be served no fewer than two and no more than ten years prior to the effective date of the termination. 17 U.S.C. § 304(c)(4)(A).

V. THE MILNE TERMINATION NOTICE

SSI's Motion for Judgment on the Pleadings implicates the issue at the very heart of the present dispute: Should the 1983 SSI Agreement be treated as a pre-1978 agreement to be governed by the termination provisions of 17 U.S.C. § 304?

Nothing in the Copyright Acts has altered the power of private parties to contract. H.R. Rep. No. 94-1476, 94th Cong., 2d Sess. (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5743. The Court acknowledges that the 1983 SSI Agreement was created in order to protect SSI and Disney from a

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[6] As evidenced by the 1983 SSI Agreement, Christopher Robin Milne chose to enter into a new agreement regarding rights to the works rather than exercise his right of termination.

[7] Termination rights with respect to grants made by the author on or after the effective date of the 1976 Act are governed by 17 U.S.C. § 203(a). Under § 203(a), such a grant may not be terminated for thirty-five years.

termination of the rights granted to them.[8] The language of the 1983 SSI Agreement expressly states that the parties "revoke" the 1930 Grant, as amended, and the 1961 Agreements. The 1983 SSI Agreement is a new, post-1977 agreement. Significantly, the parties describe their 1983 agreement as a "new agreement for the future which the parties believe would not be subject to any right of termination under 17 U.S.C. Secs. 203 or 304(c)." (1983 Agreement, page 2)

Plaintiffs argue that the 1983 SSI Agreement is merely an extension of the 1930 Grant. Plaintiffs point to the interpretation of two provisions regarding termination agreements as set forth in Nimmer on Copyrights, § 11.07.[9] In this section, Professor Nimmer explains the rationale behind §§ 203(a)(5) and 304(c)(5)'s provision that "[t]ermination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant."

These provisions, Nimmer explains, are meant to protect an author from a grantee with greater bargaining power who demands that an author agree to surrender his or her future right of termination as a condition of sale. In such a situation, Nimmer hypothesizes that an original grantee may be able periodically to extend the time before which termination may occur, if the grantee can persuade the author to terminate the original grant by contract, and negotiate a new one, "thereby causing another 35-year period to start running."

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[8] Plaintiffs object to the admissibility of the legal opinion offered to Disney by Melville Nimmer regarding this issue. The Court does not rule on the admissibility of this document; the fact that the 1983 SSI Agreement was meant to protect the continuing viability of the author's grant of rights to SSI is evident from the Agreement itself.

[9] The Court recognizes that Plaintiffs counsel, David Nimmer, is a co-author of this treatise. However, Plaintiffs have submitted evidence that § 11.07 of the treatise has remained substantively unchanged since 1978. (See 02/03/03 Nimmer Decl., Exh. 1).

Nimmer noted that there is a serious legal question whether the execution of a new grant will effectively postpone the period for termination if the voluntary termination of the prior grant is conditioned by the grantee upon the grantor's consent to execute the new grant. Nimmer predicted that courts could "conclude that a grantee may not subvert the statutory rule against obtaining a new grant prior to termination of the original grant ... unless there is at least a moment when the grantor is bound under neither the prior nor the new grant." Nimmer saw this moment as something more than a mere formality: "During this moment, of course, the grantor could refuse to execute the new agreement. This would fulfill the statutory purpose of giving the grantor at least one chance to revoke the grant." Nimmer predicted that "[w]ithout such a period between the lapse of the prior grant and the commencement of the new one, there is not a new grant, but only a change in the terms of the old grant, which remains viable for the purpose of measuring the time until the termination period."

Here, it is evident that by combining the revocation of the 1930 Grant with the re-granting of the same rights in the same documents, the parties were careful not to provide Christopher Robin Milne and/or the Trustees with the opportunity to revoke the grant. Therefore, Plaintiffs argue that the Court should reject SSI's arguments and rule in accordance with Professor Nimmer's conclusion that such transfers are "agreements to the contrary" within the meaning of §§ 203(a)(5) and 304(c)(5).

Under other circumstances, the Court could be persuaded by this "moment of freedom" argument. Here, however, the Court is unpersuaded, for two reasons.

First, neither § 304(c)(5) nor § 203(a)(5), both of which provide that termination of a grant may be effected "notwithstanding any agreement to the contrary," apply to this case. Section 304 does not apply, because this is a post-1978 agreement, and § 203 does not apply, because the grant in question was not made by the author.

Second, even if § 304 were deemed applicable, the author's son had the opportunity to terminate the 1930 Grant as to each of the four works prior to the execution of the 1983 agreement on April 1, 1983. Christopher Robin Milne could have terminated the 1930 Grant as to *When We Were Very Young* effective as early as November 20, 1980, and to *Winnie-the-Pooh* as early as October 21, 1982. The earliest that termination of the rights to the other two works, *Now We Are Six* and *The House at Pooh Corner*, could have been effected was October 14, 1983 and October 15, 1984, respectively. Although the termination dates as to the last two works would have occurred after the execution of the 1983 agreement, the termination notices (which must be filed two years before the termination effective date) could have been served before the execution of the 1983 agreement, Christopher Robin Milne, therefore, had his "moment of freedom" to revoke the rights granted to SSI under the 1930 Grant, but chose not to do so. Therefore, the concerns raised by Nimmer regarding conditioning a revocation of rights on a new grant of those rights is not implicated.

Plaintiffs also contend that the 1983 agreement was an ineffective attempt to alter the nature of the parties' relationship, citing *Marvel Characters, Inc. v. Simon*, 310 F.3d 280 (2nd Cir.2002). In *Marvel*, the parties had entered into a settlement agreement, many years after a work's creation, stipulating that the original work had been a "work for hire." The Court concluded that the parties could not alter the nature of their relationship by changing its designation, and held that the agreement was an "agreement to the contrary" under § 304(c)(5) of the 1976 Act. (*Id.* at 291)

This case is significantly distinguishable from *Marvel*. The parties in the 1983 Agreement did not attempt to change or modify the nature of their association with one another, or alter the character of their long-standing author/grantee relationship.

The 1983 Agreement was a new contract, effective after January 1, 1978. Accordingly, the Milne termination notice is invalid.

VI. THE HUNT TERMINATION NOTICE

Arguments raised by the parties have convinced the Court that a separate discussion of the rights of Ernest H. Shepard ("the illustrator") is warranted. Markedly absent from the many agreements that have taken place over the years regarding the works is the participation of Shepard or his descendants. Shepard's descendants are equally absent from this action.

It appears to the Court that Hunt is a person to be joined if feasible under Fed. R. Civ. P. 19(a). The Court is without sufficient information to determine whether her joinder is feasible.

VII. SSI'S COUNTERCLAIMS

In light of the Court's holding regarding the invalidity of the Milne termination notice, SSI's counterclaims are moot, and are hereby dismissed for that reason.

VIII. CONCLUSION

Defendant's Motion for Judgment on the Pleadings or alternatively, for Summary Judgment (docket #11), is hereby granted in part and denied in part. Plaintiff Disney's Motion to Dismiss Counterclaims or alternatively, for a More Definite Statement (docket #37) is denied. Plaintiff Milne's Motion for Summary Judgment (#55) is denied.

Judgment on the pleadings is hereby granted in favor of SSI as to Plaintiffs' declaratory relief claim regarding the validity of the Milne Termination Notice. SSI's counterclaims are moot, and are dismissed for that reason.

APPENDIX C

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

[STAMP: FILED
JAN 18 2006
CATHY A. CATTERDSON, CLERK
U.S. COURT OF APPEALS]

CLARE MILNE by and through MICHAEL JOSEPH COYNE, her receiver, Plaintiff-Appellant, v. STEPHEN SLESINGER, INC., Defendant-Appellee.	NO. 04-57189 D.C. No. CV-02-08508-FMC Central District of California, Los Angeles ORDER

Before: WALLACE, SILVERMAN, and CALLAHAN, Circuit Judges.

The appellant's petition for panel rehearing and suggestion for rehearing en banc are hereby DENIED.

SO ORDERED.

No. 05-1332

FILED
MAY 22 2006
OFFICE OF THE CLERK
SUPREME COURT, U.S.

IN THE

Supreme Court of the United States

CLARE MILNE, by and through Michael Joseph Coyne, her Receiver,

Petitioner,

v.

STEPHEN SLESINGER, INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

BRIEF IN OPPOSITION

ROGER L. ZISSU
Counsel of Record
DAVID DONAHUE
LAURA POPP-ROSENBERG
FROSS ZELNICK LEHRMAN
& ZISSU, P.C.
866 United Nations Plaza
New York, New York 100017
(212) 813-5900

Attorneys for Respondent

201332

COUNSEL PRESS
(800) 274-3321 • (800) 359-6859

QUESTION PRESENTED

In 2002, Petitioner Clare Milne served a notice of termination under Section 304(d) of the Copyright Act purporting to terminate a 1930s grant of rights under copyright from her grandfather, author A.A. Milne, to Respondent Stephen Slesinger, Inc.'s predecessor-in-interest. On its face, Section 304(d) only permits termination of still-existing grants "executed before January 1, 1978." Based on the undisputed facts of the case, the district court and court of appeals each found that the 1930s copyright grant that Petitioner sought to terminate already had been lawfully revoked by contract in 1983 and thus was not in existence when Petitioner sought to terminate it by statute in 2002. The Ninth Circuit therefore affirmed a decision of the United States District Court for the Central District of California that Petitioner's notice of termination is without legal effect. The question presented is:

Whether Petitioner has presented "compelling reasons" to grant the Petition where: (i) the Ninth Circuit's decision is correct under a plain reading of the text of Section 304(d), is consistent with the policy behind the termination provisions of the Copyright Act, and is expressly supported by the relevant legislative history; (ii) the decision is not in conflict with the decision of another United States court of appeals or any other court; and (iii) the decision is based upon a highly particularized and unique set of facts and therefore is likely to have little or no effect on any other persons.

CORPORATE DISCLOSURE STATEMENT

Pursuant to Supreme Court Rule 29.6, Respondent Stephen Slesinger, Inc. states that it has no parent corporation and that no publicly held corporation owns 10% or more of its stock.

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Wm. F. Patry, *Latman's The Copyright Law* 109 (6th ed. 1986) 5

STATEMENT OF THE CASE

This case *does not* concern "the ownership of the copyrights in *Winnie-the-Pooh, The House at Pooh Corner, When We Were Very Young*, and *Now We Are Six* (the 'Pooh Works')." *See* Pet. 2. As explained below, even if Petitioner had obtained the relief she and her co-plaintiff Disney Enterprises Inc. sought in their Amended Complaint, Disney would continue to own the right to exploit the Pooh Works, just as it has since 1961 and just as it does today. The real issue in this case is whether Disney—which admittedly is funding this litigation for Petitioner—must continue to pay royalties to Respondent Stephen Slesinger, Inc. ("Slesinger") from Disney's ongoing exploitation of the Pooh Works for specified uses.

Petitioner is involved in this dispute between Disney and Slesinger because Disney enlisted her to serve a notice of termination under Section 304(d) of the Copyright Act purporting to terminate a 1930s grant of copyright rights from her grandfather, A.A. Milne, to Respondent's predecessor-in-interest Stephen Slesinger, and then immediately to assign such rights to Disney. The purpose of the termination was to relieve Disney, Slesinger's licensee of certain rights in the Pooh Works, of its contractual obligation to pay Slesinger a share of Pooh-related royalties and to give Disney a tactical advantage in a thirteen-year-old state court royalty dispute with Slesinger.

Section 304(d) provides a limited right of termination only with respect to *existing* copyright grants "executed *before January 1, 1978*." 17 U.S.C. § 304(d) (emphasis added). But Petitioner's termination notice suffers from an obvious and fatal defect: it purports to terminate a 1930s grant of copyright that already had been expressly terminated by contract by Petitioner and the other beneficiaries of her grandfather's testamentary trust in 1983. At that time, the trust beneficiaries and Petitioner's father entered into a new arrangement with Slesinger and Disney that reduced Slesinger's share of royalties and enabled the trust's beneficiaries, including Petitioner, to reap hundreds of millions of dollars in increased royalties from 1983 forward at Slesinger's expense.

After a full consideration of the undisputed facts, the district court and the court of appeals rejected Petitioner's attempt to escape the plain meaning and import of Section 304(d), and held that since the only existing grant of rights to Slesinger was made in 1983, Section 304(d) does not apply. In rejecting Petitioner's claim that the 1983 agreement violated the letter and spirit of the termination provisions, the courts below held that the agreement was expressly contemplated by Congress: the legislative history states that the termination provisions were not intended to "prevent parties to a transfer or license from voluntarily agreeing at any time to terminate an existing grant and negotiating a new one. . . ." H.R. Rep. No. 94-1476, at 127 (1976) (hereafter, "H. Rep."); S. Rep. No. 94-473, at 111 (1975) (hereafter, "S. Rep."). The courts below also found that the agreement furthered the purposes of the termination provisions by permitting the author's family, including Petitioner, to negotiate better terms than those contained in the original 1930s grant.

The case does not require another appeal. In an effort to interest this Court, Petitioner seriously misrepresents the undisputed facts. For example, the Petition ignores that Petitioner was a beneficiary of the trust at the time of the 1983 agreement and that her father, Christopher Milne, was a key party to the agreement. These and other undisputed facts on which the courts below decided this case deserve this Court's attention, rather than an imagined record or purely hypothetical questions. Petitioner also asks the Court to give an expansive reading of the termination provisions that is far beyond what Congress intended and is not justified. As the Ninth Circuit held, "[q]uite simply, there is no principle of logic, canon of statutory construction, or consideration of fairness that supports" Petitioner's interpretation of Section 304(d). App. 20a. Moreover, contrary to Petitioner's assertions, there is no conflict between the decision below and the decisions of the Second Circuit in *Larry Spier, Inc. v. Bourne Co.*, 953 F.2d 774 (1992), and *Marvel Characters, Inc. v. Simon*, 310 F.3d 280 (2d Cir. 2002). Lastly, the decision is likely to have little or no impact on any nonparties. The Petition should be denied.

Background: The Parties and the Origin and Nature of the Case: Petitioner is the sole grandchild of A.A. Milne and daughter of Christopher Milne. App. 5a.[1] A.A. Milne has no other living heirs. *Id.* Because Petitioner is disabled, her affairs have been managed by a court-appointed "Receiver" since 1982. **ER** 3 ¶ 5, 101 ¶ 7.[2] From 1982 to 2002, Petitioner's Receiver was Michael John Brown, Christopher Milne's lawyer. *See* **ER** 361 ¶ 6, 365 ¶ 2. Another lawyer at Brown's firm, Michael Joseph Coyne, took over as Petitioner's Receiver when Brown retired in 2002, shortly before Petitioner served the termination notice. Coyne acts for Petitioner in this action. **ER** 3 ¶ 5, 361 ¶ 6.

Slesinger is a closely held family corporation founded seventy-five years ago by Stephen Slesinger, a television and film producer, creator of comic book characters and pioneer in the licensing of characters for children. App. 4a.

Pre-1983 Transfers of Rights in the Pooh Works: In a series of agreements in the 1930s (collectively, the "1930s Agreement") A.A. Milne licensed to Mr. Slesinger certain rights in the U.S. and Canada relating to characters in the Pooh Works in exchange for a substantial share of the income earned by Mr. Slesinger. App. 4a; Pet. 2. Although Mr. Slesinger received some limited rights under U.S. copyright relating to the Pooh Works, the rights he received were principally trademark, merchandising, and further contractual rights—indeed, Mr. Slesinger did not receive the right to publish, reproduce or distribute the original Pooh Works (which are still in print today) or to publish derivative books based on them. **ER** 181 ¶ 1(a)-(c). Subsequently, Mr. Slesinger assigned his rights under the 1930s Agreement to Slesinger. App. 4a.

A.A. Milne died in 1956. App. 5a. So that his family would continue to benefit from his literary works, he bequeathed in his will worldwide rights, expressly including copyrights, in

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1. Citations to "App." are to the Appendix of the Petition.

2. Citations to "**ER**" and "**SER**," respectively, refer to the Excerpts of Record and Supplemental Excerpts of Record filed below.

the Pooh Works to a trust for the benefit of his widow, Dorothy Daphne Milne, and, after her death, in trust for beneficiaries who included their only child, Christopher Milne. *Id.*; Pet. 18.

In 1961, through two related agreements, Slesinger and A. A. Milne's estate joined to grant certain worldwide rights in the Pooh Works exclusively to Disney in exchange for royalties. App. 5a, 59a-60a. As owner of the more valuable United States and Canadian rights, Slesinger received nearly double the share of royalties that A.A. Milne's estate received. *See* App. 6a-7a.

A. A. Milne's widow died in 1971. App. 5a. In accordance with A.A. Milne's will, her beneficial interest thereunder was assigned to a trust (hereafter, the "Trust") that included the Milnes' son, Christopher Milne, as a beneficiary. *Id.*; **ER** 5 ¶ 15, 101 ¶¶ 2-3. The Trust thereby succeeded, pursuant to A.A. Milne's will, to the author's copyright ownership in the Pooh Works, as well as his right to receive royalties payable by licensees of rights in the works, such as Slesinger and Disney. App. 5a, 59a; **ER** 5 ¶ 15, 101 ¶¶ 2-3.

Christopher Milne selected his lawyer (and later Petitioner's Receiver), Michael Brown, to serve as the "Milne Trustee" of the Trust. **ER** 90, 91 ¶ 3, 365 ¶ 5. In 1982, Christopher Milne divested himself of his interest in the trust, including by transferring one-half his beneficial interest in the trust to his daughter, Petitioner.[3] *See* App. 5a, 7a, 10a, 13a.

The New Termination Right in the Copyright Act of 1976: In 1976, Congress enacted a new copyright statute (the "1976 Act"). Under the predecessor statute (the "1909 Act"), copyright protection was available for an original 28-year term that could be renewed for another 28 years. The 1976 Act extended the second (or "renewal") term of protection for

3. Given that A.A. Milne's wife, only son, and granddaughter benefited from his testamentary trust, Petitioner's claim that "[w]hen [A.A.] Milne died in 1956, he bequeathed his ownership to the copyrights not to his widow, his then-surviving son, Christopher Robin Milne, or his then-unborn granddaughter, petitioner Clare Milne, but to the Milne Trust" (Pet. 3-4) is inexcusably deceptive.

copyrights subsisting on January 1, 1978 by 19 years (the "extended renewal term"), thereby extending the combined term of available protection from 56 to 75 years. *See* Pub. L. No. 94-553, 90 Stat. 2541, § 304(a) (1976). The extended renewal term applied to each of the Pooh Works.

To give "the author or the dependents of the author . . . a chance to benefit from the extended [renewal] term," the statute included a new "termination" option. H. Rep. at 140; S. Rep. at 123; *see* 17 U.S.C. § 304(c). This enabled the author and the author's heirs to terminate certain subsisting grants of rights under copyright made by the author or his heirs *before* January 1, 1978. As Congress explained, "[a] provision of this sort [was] needed because of the unequal bargaining position of authors, resulting in part from the impossibility of determining a work's value until it has been exploited." H. Rep. at 124; S. Rep. 108. The goal was to give authors and their descendants "the right to renegotiate" their prior transfers of rights under copyright made when the true value of the works was unknown. Supplementary Register's Report on the General Revision of U.S. Copyright Law at 72 (1965) (hereafter "Supp. Reg. Rep.").

The termination provision was not one-sided; rather, it reflected "a practical compromise that [would] further the objectives of the copyright law while recognizing the problems and legitimate needs of all interests involved," H. Rep. at 124; S. Rep. at 108, and created "a practical benefit for authors and their families without being unfair to publishers, film producers and other users." Supp. Reg. Rep. at 72. Accordingly, the statute makes very clear that termination under Section 304(c) is not automatic but merely an "option" available under specified circumstances and only where certain formalities are observed. Wm. F. Patry, *Latman's The Copyright Law* 109 (6th ed. 1986). It therefore includes certain built-in limitations. For example, it applies only to *subsisting grants* of copyright *"executed before January 1, 1978"* and excludes from termination grants made "by will" and grants relating to "works made for hire." 17 U.S.C. § 304(c) (emphasis added). Also protected from statutory termination are